

Agenda Report

June 18, 2012

TO: Honorable Mayor and City Council
FROM: Director of Finance
SUBJECT: APPROVAL OF COMMITMENT OF GENERAL FUND BALANCE FOR THE GENERAL FUND EMERGENCY CONTINGENCY COMMITMENT FOR FISCAL YEARS 2012 AND 2013

RECOMMENDATION:

It is recommended that the City Council adopt a resolution approving the City of Pasadena General Fund Emergency Contingency commitment of fund balance of the General Fund for Fiscal Years 2012 and 2013, maintaining the present ten percent level.

BACKGROUND:

At the meeting of June 27, 2011 the City Council approved a ten percent commitment of General Fund Balance for an Emergency Contingency Commitment of the General Fund for Fiscal Year 2011. On August 15, 2011, the City Council approved further enhancements to the City's Fund Balance Policy which increased the Emergency Contingency Commitment to twenty percent after Fiscal Year 2014, with a phase-in plan if not initially achievable.

The updated Fund Balance Policy implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. GASB Statement No. 54 divides fund balance into five categories: nonspendable, restricted, committed, assigned, and unassigned. It also requires formal action by the City Council to commit fund balance annually.

This action formally commits ten percent of fund balance for both Fiscal Years 2012 and 2013. Staff will return next year to address the commitment level for Fiscal Year 2014. The ten percent commitment is based on the General Fund adopted budget appropriations. The commitment levels since the implementation of GASB Statement No. 54 are:

| | |
|---------|--------------|
| FY 2011 | \$21,719,242 |
| FY 2012 | \$21,584,326 |
| FY 2013 | \$21,565,820 |

The attached resolution is the City Council's formal commitment of an amount of fund balance to be set aside specifically for emergency contingencies defined as a state or federal state of emergency or declaration of a local emergency as defined in Title 2, Chapter 2.370 of the City of Pasadena Municipal Code. The amount is set at 10 percent of the General Fund annual appropriations as stated in the annual budget. It should be noted that this amount and /or commitment may be changed with the adoption of a new resolution by City Council.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by the commitment of General Fund Balance for Emergency Contingency.

FISCAL IMPACT:

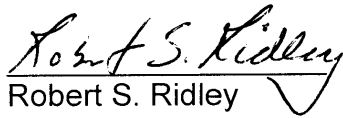
There is no fiscal impact as a result of this action, and this action will not have indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. While there is no direct fiscal impact of committing fund balance and the amounts reported as total fund balance are not altered, the reporting of the individual components that make up total fund balance are changed.

Respectfully submitted,



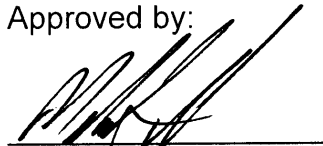
ANDREW GREEN
Director of Finance

Prepared by:



Robert S. Ridley
Controller

Approved by:



MICHAEL J. BECK
City Manager

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA APPROVING THE CITY OF PASADENA GENERAL FUND EMERGENCY CONTINGENCY COMMITMENT OF FUND BALANCE FOR THE GENERAL FUND

WHEREAS, the Governmental Accounting Standards Board ("GASB") has issued its Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions with the intent of improving financial reporting by providing fund balance categories that will be more easily understood; and

WHEREAS, the City Council of the City of Pasadena has approved Administrative Policy, "Fund Balance Policy for the General Fund" (Attachment A to Agenda Report of June 27, 2011) which committed 10 percent of the General Fund annual appropriations to Committed Fund Balance; and

WHEREAS, the City Council of the City of Pasadena has approved Administrative Policy, "Fund Balance Policy" (Attachment A to Agenda Report of August 15, 2011) which increased the commitment of General Fund Balance from 10 percent to 20 percent of the General Fund annual appropriations for Fiscal Years after Fiscal Year 2014; and

WHEREAS, the Fund Balance Policy includes a temporal framework for increasing the General Fund Emergency Commitment of the General Fund after Fiscal Year 2014, over five years if this goal cannot be reached initially; and

WHEREAS, the Administrative Policy entitled "Fund Balance Policy" (Attachment A to Agenda Report of August 15, 2011) provides that the Fund Balance Policy be taken into account during budget preparation; and

WHEREAS, the Administrative Policy entitled "Fund Balance Policy" (Attachment A to Agenda Report of August 15, 2011) provides that the City Council may commit General Fund balance for specific purposes by taking formal action and these committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same formal action taken to establish the commitment; and

WHEREAS, the Director of Finance has recommended to the City Council that the General Fund Emergency Contingency Commitment of the General Fund balance remain at ten percent (10%) of the General Fund annual appropriations for Fiscal Year 2011-2012 and Fiscal Year 2012-2013; and

WHEREAS, the City Council had determined that the General Fund Emergency Contingency Commitment of the General Fund Balance should be maintained and approved at ten percent (10%) of the General Fund annual appropriations for Fiscal Year 2011-2012 and Fiscal Year 2012-2013 as recommended by the Director of Finance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena, California that:

1. The City Council hereby approves the General Fund Emergency Contingency Commitment of General Fund of ten percent (10%) of the General Fund annual appropriations for Fiscal Year 2011-2012 and Fiscal Year 2012-2013.

2. The City Council has determined that the specific purposes for which the General Fund Emergency Contingency Commitment may be used for are emergency contingencies in the event of the declaration of a state or federal state of emergency or a local emergency as defined in Title 2, Chapter 2.370 of the City of Pasadena Municipal Code and these uses may only be changed by approval of a subsequent resolution.

Adopted at the regular meeting of the City Council on the 18th day of June, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mark Jomsky, CMC
City Clerk

APPROVED AS TO FORM:



Nicholas G. Rodriguez
Chief Assistant City Attorney